

Bakers
Club

W *Tele* **WESTERN UNION** *Tele*
SENDING BLANK

CALL LETTERS **M DV** **6/27/62** CHARGE TO **Int. Bro. of Teamsters**
Mr. George Cavano, Sec. -Treas. *Bakers Club, Inc.*
Teamsters Local Union No. 174 **X** *2174*
552 Denny Way **X**
Seattle, Washington

ADMINISTRATIVE FILE

Re your telegram you have my permission to reprint my address before Bakers Club, Inc.

H. J. Gibbons
Executive Assistant to the
General President

Send the above message, subject to the terms on back hereof, which are hereby agreed to

PLEASE TYPE OR WRITE PLAINLY WITHIN BORDER—DO NOT FOLD
W-1-10-100

HAROLD GIBSONS EXECUTIVE ASSISTANT TO GEN PRES
25 LOUISIANA AVE WASHDC

I WOULD LIKE TO REQUEST YOUR ASSISTANCE IN GIVEN BEFORE HANDED
CLUB INC NEWSPAPER APRIL 16 1969. AS PRINTED IN THE BAKERS WEEKLY
OF APRIL 25 1969 IN OUR LOCAL UNION NEWSPAPER YOUR PERMISSION
WARRANTED BY FOLLOWING WOULD BE APPRECIATED
BENJAMIN CAVANO WGT YABAS GENERAL TEAMSTERS LOCAL UNION 174.

ADMINISTRATIVE FILE

Baking Industry
Magazine

July 18, 1962

C
O
P
Y

Mr. James D. Snyder
Eastern Editor
BAKING INDUSTRY
1517 F Street, N.W.
Washington 4, D. C.

Dear Mr. Snyder:

This is in reply to your letter of June 13 in which you raise two questions: the first dealing with the stale problem and route books; and the second dealing with training of driver-salesmen.

I will try to answer these questions separately.

Route Books and Stales

Our bakery driver locals have honest doubts as to the extent to which route books are a means of keeping tighter control over stales. They also question the value of keeping a daily inventory of all products in the route book, although some believe there is merit to keeping daily or weekly tallies of the three or four leading items sold, including carryover.

It seems clear that accurate route book figures on major items sold provide the sales driver and the Company with a daily inventory of the movement of these leading items over a number of weeks. Such records tend to be helpful in decisions as to cutting back or increasing placements, or in determining a store's potential.

But this does not in itself control stales. Route books record the past; they do not necessarily predict the future. It is the present market that determines sales, and only an experienced sales driver, not a route book, can sense this.

We also find, in many areas, that bakers ignore accurately-kept route books and the sales driver's own orders and in essence destroy the effectiveness of a route book. The Company orders for the driver. We have also found that companies have a practice of either meeting or beating previous production figures and as a result have over-produced

Mr. J. D. Snyder

-2-

July 18, 1962

on the leading items, ignoring what route book figures would indicate as proper. When the Company ignores the sales driver's order based on route book figures, and because of deliberate over-production "plusses" the sales driver's order, not only is the drivers record-keeping in vain but sales are automatically created.

No person should know more about a route than the salesmen involved. If the salesmen demonstrates that he does know the requirements of his route, he should be permitted to order accordingly.

The sales problem generally hinges on the sales performance of the leading baked goods items. In view of this, there is really no need to keep a route book daily inventory of in and out, carryover, and sales of ~~any~~ items carried. This procedure is too time consuming and burdensome on the sales driver and detracts from his sales effort and driving time, with no appreciable results. As a rule, our people do not object to keeping route books, but excessive bookkeeping does not have value if the figures do not help our people sell more bread.

With respect to your question on carryover: Bakers bake fresh bread every day. Therefore, why not keep carryover at a minimum. Focus attention on selling today's baked goods today, and not try to sell out a load of carryover. Fresh bread (today's bread) is our best salesman!

Carryover figures have value and meaning if the figures are used, and if our people can see that they will benefit from keeping accurate figures.

With the reservations stated above, we believe that route books have value and are necessary, especially for new salesmen, vacation and sickness reliefmen, and to protect the salesmen's and the baker's business.

Companies have it within their power to reduce sales substantially if they were to:

1. Conform production to needs.
2. Adjust store placements as experience indicates.
3. Promote their products realistically, rather than through extravagant displays which produce a large amount of sales.
4. Rotate their products properly.
5. Eliminate discounting to stores on a rated sales basis, since this tends to have placement increased beyond realistic sales potential in order to meet the required sales volume to qualify for discount.
6. Eliminate the practice of purposely over-producing and plussing in order to supply the Company's sales stores (also known as surplus or thrift stores).

Overloads and sales are a problem to both bakers and their driver-salesmen. Because these twin problems are becoming more acute, some bakery locals are proposing that commission be paid on gross take out rather than on the present methods of take out less sales returns.

Mr. J. D. Snyder

-3-

July 18, 1962

Training

It would appear self-evident that sales training is necessary for new employees. Certainly such employees can benefit and learn from those with experience in the industry as to the proper way to operate a sales route. If such training helps the employee to do a better job, both the employee and his employer benefit.

Too often, however, I understand, the Company hires a man and the next day he is operating a route, under "training" by a man who is not necessarily a good teacher. As a result, the new man may start out with poor training and poor sales habits.

I should like to suggest, therefore, that there may be two problems: initial training of new employees and retraining of present employees, and that possibly different training methods are needed for each situation.

Training or retraining should have the clear-cut purpose of increasing sales and correspondingly, putting more dollars in the salesman's pay shoes. The best method of retraining is with successful sales progress -- to show the purpose or reason for retraining.

The supervisor's or training director's job -- day in and day out -- is to train the driver-salesman. Continued input is important.

With respect to new employees, the Company obviously has complete freedom to train. With respect to present employees, the Company often has a selling job of its own. A workable program, one that will demonstrate to all that training or retraining pays off in increased sales and therefore more pay, is the best advertisement a company can have. Nothing succeeds like success. Such an approach may be helpful in gaining wider acceptance of the value of training.

Driving is as important in the work of a driver-salesman as the sales function. Good driving habits cut truck operating costs and reduce accidents and therefore help to reduce distribution costs. Training in this area, therefore, is also important.

We are witnessing many changes in the distribution process, some of which may call for changes in the type and size of vehicles used. When and if such changes take place, the seniority principle should be recognized and present employees be given the opportunity to train to handle the new equipment.

I hope you find this helpful.

Very truly yours,

H. J. Gibbons
Executive Asst. to the
General President

HJG/lp

cc: Mr. John Hertigen

HJG/AM/lp

July 3, 1962

Mr. Wendell J. Phillips
Teamsters' National Bakery Conference
2450 - 17th Street
San Francisco 10, California

Dear Wendell:

A bakery trade magazine has written to Vice President Gibbons asking the following questions:

"First, the stealer problem. Many bakery owners feel that the use of route books are a means of keeping tighter control over stealers. Yet some Teamster locals have had their use prohibited by contract. Others have had the use of route books restricted as to the amount of information that can be recorded. For example, in Chicago salesmen are limited to the listing of four varieties and are permitted to list carry-over.

"Could you comment on the reasons for these restrictions? Do you personally feel route books are necessary? Also, how could the union and management cooperate more fully in tackling the stealer problem?

"Second, the training of driver-salesmen. Some locals have ruled out sales training by contract. Others appear to be negative in endorsing formal training programs. Would you agree that this statement is true? If not, what are the reasons behind these attitudes?"

Vice President Gibbons has asked me to prepare a reply. I should greatly appreciate any comments and suggestions you may have to answer these questions, so that we can submit the best possible statement from the Union's point of view on these two issues.

Thanks very much for your cooperation.

Fraternally yours,

Abraham Weiss
Economist

AW/llp

July 5, 1962

Mr. John Drew
Bakers' Local Union #754
188 South Ashland Blvd.
Chicago 7, Illinois

Dear Sir and Brother:

A bakery trade magazine has written to Vice President Gibbons asking the following questions:

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Thanks very much for your cooperation.

Fraternally yours,

Abraham Weiss
Econocist

AW/lp

July 3, 1962

Mr. John Hartigan
Eastern Conf. of Teamsters
100 Indiana Avenue, N.W.
Washington 1, D. C.

Dear John:

A bakery trade magazine has written to Vice President Gibbons asking the following questions:

"First, the stealer problem. Many bakery owners feel that the use of route books are a means of keeping tighter control over stealers. Yet some Teamster locals have had their use prohibited by contract. Others have had the use of route books restricted as to the amount of information that can be recorded. For example, in Chicago salesmen are limited to the listing of four varieties and are permitted to list carry-over.

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Fraternally yours,

Abraham Weiss
Econocist

AW/lp

July 3, 1962

C
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Y

Mr. William H. Teppe
Teamsters' Local Union #485
108 Smithfield Street
Pittsburgh 22, Pennsylvania

Dear Sir and Brother:

A bakery trade magazine has written to Vice President Gibbons asking the following questions:

"First, the steles problem. Many bakery owners feel that the use of route books are a means of keeping tighter control over steles. Yet some Teamster locals have had their use prohibited by contract. Others have had the use of route books restricted as to the amount of information that can be recorded. For example, in Chicago salesmen are limited to the listing of four varieties and are permitted to list carry-over.

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Thanks very much for your cooperation.

Fraternally yours,

Abraham Weiss
Economist

AW/lp

July 8, 1962

C
O
P
Y

Mr. Thomas F. Carroll
Teamsters' Local Union #494
660 Beacon Street
Boston 15, Massachusetts

Dear Tom:

A bakery trade magazine has written to Vice President Gibbons asking the following questions:

"First, the stealer problem. Many bakery owners feel that the use of route books are a means of keeping tighter control over stealers. Yet some Teamster locals have had their use prohibited by contract. Others have had the use of route books restricted as to the amount of information that can be recorded. For example, in Chicago salesmen are limited to the listing of four varieties and are not permitted to list carry-over.

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Thanks very much for your cooperation.

Fraternally yours,

Abraham Weiss
Economist

AW/lp

6/26

Mr. Weiss:

HJG requested that you
prepare an answer on this.

TELEPHONE ANDOVER 3 1200

THE **BAKING INDUSTRY** MAGAZINE
SINCE 1887

Bakers
Helper

CLISSOLD PUBLISHING CO.
105 W. ADAMS ST. CHICAGO 3, ILL., U.S.A.
1317

REPLY TO: 1320 F Street N. W., Washington 4, D. C.
Metropolitan 8-6707

June 13, 1962

Mr. Harold J. Gibbons
International Brotherhood of
Teamsters International
25 Louisiana Avenue N.W.
Washington, D.C.

Dear Mr. Gibbons:

I was among those privileged to hear your recent address to the New York Bakers Club on problems of distribution. Your views contributed much to my understanding of the situation, and I only wish that I could have cornered you at the end of your speech to ask a few more questions.

In lieu of that, I am taking the liberty of putting two of these questions to you in writing. They are important to our magazine because we have over the years regarded distribution as the greatest challenge to the baking industry. At present I am preparing material for a regular column called "The Young Executive's Page," in which I plan to discuss several of the specialized aspects of distribution. Therefore, any light you could shed on the following questions would be much appreciated.

First, the stales problem. Many bakery owners feel that the use of route books are a means of keeping tighter control over stales. Yet some Teamster locals have had their use prohibited by contract. Others have had the use of route books restricted as to the amount of information that can be recorded. For example, in Chicago salesmen are limited to the listing of four varieties and are not permitted to list carry-over.

Could you comment on the reasons for these restrictions? Do you personally feel route books are necessary? Also, how could the union and management cooperate more fully in tackling the stales problem?

Second: the training of driver-salesmen. Some locals have ruled out sales training by contract. Others appear to be negative in endorsing formal training programs. Would you agree that this statement is true? If not, what are the reasons behind these attitudes?

(2)

Your comments to these questions will be read by many bakery owners, and would, I feel, contribute much to greater understanding of the situation. I also hope that this letter doesn't appear to "bait" the union just for the sake of argument. Rather, it is a sincere attempt to approach some of these mutual problems on an academic basis.

Thank you once again for considering these questions. I know that your answers will be greatly appreciated by this magazine and its readers.

I look forward to your reply.

Sincerely,

James D. Snyder
BAKING INDUSTRY
James D. Snyder
Eastern Editor

Bakers Weekly

71 VANDERBILT AVENUE, NEW YORK 17, NEW YORK, MURRAY HILL 6-2200

THE BUSINESS MAGAZINE OF THE BAKING INDUSTRY

June 22, 1962

Mr. Harold J. Gibbons, Vice President
25 Louisiana Ave., N. W.
Washington 1, D. C.

Dear Harold:

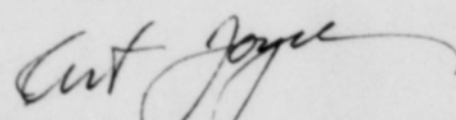
Here is one more favorable reaction to that talk of yours, and from a somewhat unexpected source.

We were delighted to see that members of one of your Locals -- away out in Seattle -- had seen the issue of the Weekly which featured your talk.

Please be sure to keep us in mind if you have further occasion to discuss these fundamentals in terms of interest to bakers.

It was a fine job, and we'd all like to see more of it!

Yours,



Arthur L. Joyce
National Affairs Editor

ATJ/jc
enc.

PUBLISHED BY THE AMERICAN TRADE PUBLISHING COMPANY
BAKERS WEEKLY • FEED AGE • THE BISCUIT AND CRACKER BAKER • INPLANT FOOD MANAGEMENT

BAKERS WEEKLY
71 VANDERBILT AVENUE NEW YORK 17, N. Y.

June 22, 1962

Mr. Frank L. Mickerson, Editor
The Teamster Record
Teamsters, Chauffeurs & Helpers of America
Local No. 174
552 Denny Way
Seattle 9, Washington

Dear Mr. Mickerson:

We are certainly glad that both you and your secretary-treasurer, Mr. George Cavano, found the recent talk given by Harold J. Gibbons of so much interest that you want to pass it along to your readers.

When he gave the talk before the New York Bakers Club, the reaction was immensely favorable on all sides. We were further pleased by the response we received from around the country after its publication in the weekly.

As we said at the time, both his analysis of prevailing conditions, and his proposals of possibilities for future exploration and exchange of ideas deserves thorough consideration by both management and labor.

Our only interest is to promote this sort of discussion. You are welcome to publish the address, just as we did.

I'm passing your note along to Mr. Gibbons and I'm sure he'll agree. In any case, you should be hearing from him.

Very truly yours,

ATJ/jc
enc.-reprint
cc: H.J. Gibbons

Arthur T. Joyce
National Affairs Editor



GEORGE CAVANO, Secretary-Treasurer

557 DENNY WAY, SEATTLE 9

Phone MA-3 5040

International Brotherhood of
Teamsters, Chauffeurs & Helpers of America
Local No. 174

June 14, 1962

Mr. James H. Phelan,
Managing Editor,
BIRDS WEEKLY,
71 Vanderbilt Avenue,
New York 17, N.Y.

Dear Mr. Phelan:

Mr. George Cavano, Secretary-Treasurer of this local, has asked me to write and request permission to reprint a true local's newspaper THE TEAMSTER RECORD, an article which appeared in your publication.

The article appeared in your April 30th issue, pages 22-25, and was entitled "Today's Bakery Distribution Problems" by Harold J. Gibbons. This was the full text of an address Mr. Gibbons, Executive Assistant to the General President, IFT, made before the Bakers Club, Inc. of New York on April 9, 1962.

Possibly too permission will have to be obtained from Mr. Gibbons but at the same time it is also possible that your copyright of the material covers such reproduction.

Naturally, we will be glad to give your publication a credit line.

We could sincerely appreciate your granting this permission or any help you may give us on this matter.

Thank you very much.

Sincerely,

Frank L. Nickerson

JUN 15 1962

RECEIVED

SECRET

Bakers Weekly

71 VANDERBILT AVENUE, NEW YORK 17, NEW YORK, MURRAY HILL 6-2200

THE BUSINESS MAGAZINE OF THE BAKING INDUSTRY

May 3, 1962

Mr. Harold J. Gibbons, Vice President
International Brotherhood of Teamsters
25 Louisiana Avenue, N. W.
Washington 1, D. C.

Dear Mr. Gibbons:

I'm sure that by now you are aware of the constructive interest aroused by your talk at the Bakers Club. We reprinted it in full in our latest issue -- starting page 22, and I had something to say about it editorially on page 17. I'm enclosing a copy for your own files -- a few days late because I've been out of town for the convention of the retail association. If you want a few extra copies down there, let me know.

Dave Kaplan gave me a fill-in on the session you had with his members last Friday. I think it will make a very impressive story in our forthcoming issue, and I'll see that a copy goes to you promptly.

I was glad to be able to say hello to you at the Bakers Club, and particularly happy to carry the good word about what you had to say to the entire industry. I'll be looking forward to seeing you again here and in Washington as we give support to the program for securing closer cooperation between labor and management through the Economics of Distribution Foundation.

Yours,

Arthur T. Joyce
National Affairs Editor

ATJ/jc
enc.

*Copy of May Bakers
Weekly #120/62 sent
to Chicago 5/10/62*

PUBLISHED BY THE AMERICAN TRADE PUBLISHING COMPANY
BAKERS WEEKLY • FEED AGE • THE BISCUIT AND CRACKER BAKER • INFLANT FOOD MANAGEMENT

QUALITY BAKERS OF AMERICA COOPERATIVE, INC.

QUALITY BAKERS

NATIONAL HEADQUARTERS



120 WEST 42ND STREET, NEW YORK 36, NEW YORK
CHICKERING 4-8484

OFFICE OF
THE GENERAL MANAGER

ADMINISTRATIVE FILE

Bakers Club, Incorporated
Boyle, Edmund A.
X Invitation

April 18, 1962

Mr. Harold J. Gibbons
Executive Assistant to the General President
International Brotherhood of Teamsters
25 Louisiana Ave., N. W.
Washington 1, D. C.

Dear Mr. Gibbons:

I can't begin to properly thank you for the personal effort and the careful preparation and delivery of your talk to the Bakers Club. I think the high interest in the subject was evidenced by the fact that in attendance it was the largest luncheon meeting we have ever had and since your talk I have received far more than the usual number of notes of appreciation, phone calls, etc.

Perhaps more than anyone I can realize the delicate position you were in, but I must compliment you on the diplomacy, the tone, and the sentiment of your talk. I am sure it will go a long way, once it is published, to better understanding of the mutual problems of management and labor in what is for both a most turbulent and difficult phase of our industry.

I am looking forward to meeting you again next week and will repeat my statement with more enthusiasm than I can ever place in a letter.

Sincerely,


George N. Gray
Executive Director

GNG:jh

c. c. Bakers Club of New York

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Indiv. 100-100000

ADMINISTRATIVE FILE

Bakers Club, Incorporated
Boiga, Edmund A.
Initiation

April 13, 1962

MEMO TO: Harold Gibbons

FROM: Abraham Weiss

Enclosed is a statement for your use before the Bakers Club of New York on Monday April 16. As you will note, this speech covers union comments on management's inefficiencies; union answers to management proposals; union proposals; and alternatives to explore.

Also attached are three sets of statistical materials as follows:

1. Shares of Retail Price of Bread in 1960
2. Retail Food Stores - Shifts in Sales
3. Bread Sales - By Store Groups and Private Label vs. Name brands

I hope you find these helpful. Good luck.

Abraham Weiss

Research Department
International Brotherhood of
Bakers
April 13, 1962

BREAD SALES - BY STORE GROUPS

and

PRIVATE LABEL vs. NAME BRANDS

Percent of Bread Sales by Store Groups

	<u>1</u>
Chain Stores (a or more)	56
Affiliated Stores	47
Independents	18

Percent of Private Label by Store Groups

Chain Stores	26% operate own bakeries 56% buy some private label 64% of all chains sell private label bread
Affiliated	4% operate own bakeries 43% buy some private label 47% of all affiliated stores sell private label bread
Independents	Negligible

Percent of Private Label on White Bread Market

Name Brand - Produced by Bakers	60%
Private Label - Produced by Bakers	28%
Private Label - Captive Bakery	12%

Source: Arthur D. Little Co. - Report to American Bakers Association

Research Department
International Brotherhood of
Teamsters
April 15, 1962

RETAIL FOOD STORES - SHIFTS IN SALES

<u>Percent of Sales</u>	<u>1961</u>	<u>1963</u>
Independent	60%	64%
Chains	40%	36%

Share of U.S. Grocery Sales (by Size of Store) 1962-1961

	<u>% of Stores</u> 1961	<u>% of Sales</u> 1962	<u>% of Sales</u> 1961
Super Markets ^{1/}	12%	43%	70%
Superettes ^{2/}	22%	36%	22%
Small Stores ^{3/}	66%	22%	8%

^{1/} Annual Sales - \$375,000 or more
^{2/} Annual Sales - \$ 75,000 to \$375,000
^{3/} Annual Sales - \$ 75,000 or less

Growth of Affiliated ^{1/} Independent Retailers

Percent of Total U.S. Grocery Store Sales

	<u>1947</u>	<u>1961</u>
Chains	57%	40%
Unaffiliated Independents	34%	11%
Affiliated Independents	29%	49%

^{1/} Members of voluntary and cooperative groups

Source: Progressive Grocer, April 1962

Research Department
International Brotherhood of
Tessetars
April 18, 1962

SHARES OF RETAIL PRICE OF BREAD
in 1960
(20.5¢ per pound)

BAKER		11.9¢
Selling, Delivering, etc.	5.7¢	
Baking, wrapping, etc.	5.6¢	
Pre-Tax Profits	0.7¢	
RETAILER		3.1¢
FARMER		2.8¢
MILLER		0.7¢
OTHER		<u>1.6¢</u>
	Total	20.5¢

Source: Monthly Letter (First National City Bank), Dec. 1961, p. 189

Address By
H. J. Gibbons
Executive Assistant to the General President
International Brotherhood of Teamsters
before the
Bakors Club of New York
April 16, 1962

The International Brotherhood of Teamsters is concerned over the serious problems confronting both our members and bakery operators in the baking industry. The problems are complex -- and therefore the solutions are not simple.

To solve these common problems requires full and intelligent discussion and mutual education before we get to the bargaining table. There is a basic need for our union and the industry to meet and intelligently exchange ideas in a calm atmosphere. I will discuss this in more detail later, but it is this belief which prompted me to accept your kind invitation today.

My talk today centers around four major points:

1. Management Inefficiencies as Seen By the Union.
2. Union Answers to Management Proposals.
3. Union Proposals.
4. Alternatives to Explore.

We recognize that there are basic economic factors and forces beyond the control of either party which account for

- 2 -

such of the baking industry's current problems. These include the change in the character of the food retailing industry with the sharp decline of the "mom and pop" stores; the shift of bargaining power from the baker to the chain stores and voluntary co-ops; the fact that bread is less perishable today and can be transported over greater distances; the relative stability of consumption of baked goods; excess capacity which causes bakers to seek outlets outside their own immediate market area; etc.

Without attempting to minimize these important factors, it is only fair to state that certain industry practices have intensified the problem.

The industry is not without fault. The president of the American Bakers Association last October ticked off the following:

- 1) "Secret discounts, payols, special deals, under the counter pay-offs, and other similar practices ---"; "discounts---merely as commercial bribery in order to get a larger share of the business the easy way."
- 2) "Big orders---continually overloading the market --- (and) have resorted to high pressure tactics ----."
- 3) "High sales; discounts up to 14% (how can you possibly have a low cost of distribution with

- 3 -

discounts?); excessive advertising that in no manner increases the consumption of bread; superfluous who do all but supervise, etc.

Discounts, free bread, and the purchase of favorable store positions are prevalent. Marketing experts agree that if bakers can eliminate these and similar unethical practices, they can, in most cases, double their profits with no loss of volume. Any advantages gained by these practices are temporary and expensive. Competition dictates that they be cut. The industry is confusing volume with profits, apparently forgetting that volume sales at a loss only show up in red ink.

Competition is supposed to produce efficiencies and lower costs. In the baking industry, however, primarily because of three factors: (1) excess capacity (which results in overproduction); (2) the practice of flat pricing; and (3) consignment selling, competition promotes duplication and in turn increases costs. It holds an umbrella over the inefficient. It produces waste and boosts prices. The increasing cost of stale bread -- itself a consequence of competition -- illustrates existing wasteful competition.

The practice of flat pricing on a consignment basis is the root of the problem -- and labor has nothing to do with this.

Bakers feel oppressed by the problems of competition

- 4 -

but, to date, seem to have been unable to develop effective solutions. No new system has been developed in adaptation to the new structure of the grocery retail market. This is a serious function.

Teaster bakery locals throughout the country inform us that they have been approached with one or more of the following proposals:

- (1) Dock pick-up or delivery.
- (2) Warehouse delivery.
- (3) Reduced commissions.
- (4) Change to an hourly rate basis.

There may be others.

These proposals are presumably designed to help compete with captive behemoths by supplying local chains or voluntary co-ops with a private label or low price bread. Presumably, too, though this is not explicit, single stores -- the mom and pop -- will continue to receive full service at standard commission rates.

Many of our locals have rejected these proposals. Others, for good and sufficient reasons, have accepted them -- and a variety of devices and arrangements have been developed. (More about this later).

What about the locals and the union membership who have rejected such proposals? Aren't they responsive to the needs of this industry? Don't they have the long-run interest of their members at heart?

I think that to some degree, at least, the responses of our people to management's proposals are due to inefficient

and uneconomic management practices. Our people believe, rightly or wrongly, that these management practices contribute considerably to the industry's present difficulties. Our members also feel this way -- and it is important to remember that the membership has to be sold and agree to new arrangements.

Our bread drivers are aware of the deals in which rebates are given, bread offered free, exclusive stops purchased, kickbacks are made. This is not the kind of atmosphere that fosters either sound business or sound employee relations. The routemen remember this when he is asked to give up a gain or benefit which his union has won for him. Regardless of the forces or the events that may have driven a bakery operator to embrace poor competitive practices, the routeman is more likely to judge on the basis of what happened than on the basis of why it happened.

This may be unfortunate in terms of finding a solution -- but it is basic human nature -- and we are all guilty of the same attitudes.

Let us turn to some specific inefficiencies and uneconomic industry practices, as our unions see them.

1. Steals

Run-away steals account for as many business failures as any other cause.

- 6 -

The cable industry state return average is running at 9.2%. This represents \$225 million. If states were cut in half, the industry's profits would increase by over \$100 million. Yet the industry seems to accept high states as a way of doing business.

According to one leading industry operator, product stalling now represents 15% of the total cost to sell.

States are the most costly and wasteful factor in distribution. The industry can't afford these costs -- yet they increase from year-to-year. From 1947 to 1958, losses and state returns rose 700%.

State stores are springing up all over -- an indication that companies are multiplying states. There is strong suspicion by our people that companies are baking fresh bread -- for state stores. It reminds me of the old story of the manufacturer who was losing money on every item -- not look at the volume.

Our drivers report that they are overruled on their orders; that their knowledge of customers is ignored; that their orders are plussed -- creating states.

For this reason, we are insisting in contract negotiations that a company be limited to only one state store at the point of manufacture. We are proposing that commissions be paid on gross loads, not on net sales -- to discourage stalling.

Stales, of course, flow out of consignee selling. They also result from fear of losing shelf and display space.

Yet such highly successful bakers as Pepperidge Farms and Brownberry Ovens have never allowed stale returns.

2. Call Backs and Special Deliveries

We question whether management's insistence that drivers make repeated call backs to a store pay off in greater sales volume. They are time consuming; they stretch out the work day without demonstrably producing extra sales and assuring greater route productivity; they add to truck mileage and delivery costs.

In the Houston bakery industry, for example, with routes reduced to an average of 30 stops per driver-asstakeen, the bakeries are forcing these men to service all accounts, including 10-15 a day stops, 5 and 6 times daily. Driver asstakeen are still operating the bread truck the same number of hours on one half the volume.

Question -- Do grocers really want services several times a day -- or are call backs merely a wasteful and uneconomic tactic which bakers insist upon to try to take some business away from a competitor?

Would it not be preferable and more economical to agree with the union, in a market-wide agreement, to limit the number of call-backs and provide for enforcement of this rule?

In a number of markets, the union contracts permit discussion and agreement on changes in delivery, merchandising

and compensation methods. Yet surprisingly, bakery operators in most of these markets have not, to our knowledge, come up with alternative proposals or methods. There is apparently no consensus within the industry as to what modifications have to be made in the distribution process -- other than to cut wages.

In order to meet chain-store competition, bakery management has proposed to our unions three basic changes which involve:

- 1) Commissions;
- 2) Freight-Type Delivery; and
- 3) Work Rules

I'd like briefly to discuss these proposals and give you the reactions of our local unions and their members.

(1) COMMISSION METHOD OF PAYMENT

Takes several forms:

(a) Reduce commissions for certain non-service types of delivery -- warehouse, dock, back room, etc.

(b) Change from commissions to straight hourly rate.

Let's take a look at the commission system.

The commission system was very efficient at the time of its introduction -- by industry. Commissions served well for many years; people have become accustomed to them.

Under the commission system, the baker could send a man out and because he had an incentive to make more money, he could try to sell more.

Now, supermarkets have entered the picture. The best way to deliver bread to those stores is to take it in large quantities.

Management, of course, claims that the commission system has now become a drag on progress in serving and supplying supermarkets who do not have their own bakeries -- but who have to compete with grocery chains who do have their own bakeries and who get these products delivered on an hourly basis.

Also, we have built up not only a lot of driver-salesmen who depend on commissions, but we have built up oven capacity in many small bakeries which depend upon this system. We have about twice as much oven capacity as is needed. Therefore, a great many bakers also depend on this system and will do everything they can to preserve it.

But another system is now in the picture. Why? Not because the bakers wanted it, but because the chain stores built their own bakeries when they couldn't make a deal with the bakers to deliver bakery products in the way that they wanted.

The industry holds that commission drivers are heavily overpaid at large stops and that under a commission system, increased route averages bring no net savings.

I must in all candor state that in some areas, our local unions and the industry have negotiated an hourly rate

equivalent of past commission earnings and have scrapped the commission system.

(2) FREIGHT-TYPE DELIVERY VS. "SPECIALTY SERVICE" DELIVERY

Interest in management's proposals to convert from commissions to hourly rates of pay is a change in the delivery method -- from full service to freight-type dock, warehouse, drop or back-room delivery. Display work and rack service, presumably, would be done by store clerks.

Elimination of rack service probably will lead to decline in sales, since display of bakery products by grocery clerks would be much poorer. Good display creates additional sales, in view of impulse buying.

It is questionable whether most bakers wish to convert the driver-salesmen into a deliveryman.

From the union's point of view, large-volume deliveries in tractor-trailers as against present full-service delivery methods inevitably spell loss of jobs.

The union has a prime objective to safeguard job opportunities for its members. We do not believe it to be unreasonable to ask industry to consider the social cost of its actions and agree with the union on such items as the following: provide a guarantee against job loss for a minimum specified period; stretch out the introduction of new methods so as to minimize displacement and let normal attrition reduce the work force; provide severance pay; transfer

displaced delivery men to sales or solicitor work; retrain displaced employees, etc.

I stated earlier that a number of our local unions have agreed to modify their existing compensation arrangements. Although there are markets where private label receives the same commission rates as brand names, in other areas, an hourly rate or a reduced commission has been negotiated.

A wide variety of arrangements have been worked out. For example:

- 1) Direct delivery to chain stores at Hourly Rate.
 - 2) Deliver private label or secondary brand to warehouse or central distributing points by hourly paid drivers.
 - 3) Exclusive private label routes to chain stores at lower commission. No orders, displays, collections, returns, or call backs.
 - 4) Lower commissions only on new accounts secured through sources other than routeman. Not to apply to types of accounts now being served by driver-salesmen or similar accounts which may be obtained in future. Depending on nature of business -- drop deliveries or display.
 - 5) Lower commission on Secondary Line, which is handled along with other products. Display in some markets; no display in others. No limit on quantity in some markets; limit in others. In one area, there are two levels of lower commission rates, depending on whether returns are picked up.
- There are still other variations.

(3)

WORK PRACTICES

Over the years, various arrangements -- many instituted by management -- have become formalized and embodied in labor agreements. These are generally known as work rules; starting time and off-the-street regulations are illustrative. Many of you here are more familiar with such rules, their origin and their purpose than I am. It may very well be that each rule adds to company costs. I am not affirming or denying this.

The point is that if management wants to achieve efficient distribution, and feels that these rules are a handicap to such efficiency, management is going to have to provide a quid pro quo to secure their elimination. Even then, I am not sure that labor is willing to consider giving them up.

What it boils down to is the sale by labor or the purchase by management of work rules. It sounds crude and crude perhaps, but it is a recognition of the fact that the vast area of work rules are part and parcel of the content of the job and are to be bargained about. A hundred years ago you just paid a man to work, but the unions won't accept that formula now.

(4)

UNION PROPOSALS

Breed is becoming less perishable. It is capable of being moved long distances. The market area is therefore expanding to distances 500 miles or more. This means that overcapacity in one market can well lead to overcapacity in distant markets. Frozen breed is on the horizon. All of this

means that local markets may give way to regional or national markets and the type of local, individual bargaining prevalent today may give way to broader bargaining units.

Area-wide contracts -- embracing large territories-- may be a key factor in solving the problems arising in outlying areas which adversely affect major unionized centers. Such area-wide contracts would level out differences in compensation practices and fringes. It would, for example, eliminate competitive disadvantages in contiguous areas arising from the fact that different bakers deal with different Teamster local unions having different contracts. Uniform conditions would help union bakers.

Area contracts would also draw in general (miscellaneous) locals which have bakery drivers among their membership and gradually bring up their scales and conditions to the level of specialty bakery locals in major metropolitan centers.

Area contracts would also facilitate organization of non-union bakery operations, and remove their competitive advantage due to lower wages and conditions.

I suggest that the baking industry give this proposal serious consideration. It would serve to protect both companies and unions in a given market from other union firms outside the market whose contracts have lower wages and conditions. It would provide a valuable tool in organizing non-union firms in the area covered by the agreement.

Another step is to develop an effective organizing

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campaign -- working through our Joint Councils -- to organize non-union bakers. Such campaigns should enlist the full support, cooperation, and expertise of our bakery drivers local unions, since they are vitally affected.

Baking companies in major metropolitan areas have complained about out-of-line or substandard bakery contracts negotiated in outlying areas which adversely affect them, since the outlying bakers then invade their markets on the basis of lower delivery wage costs. This situation would be eliminated by broad area agreements. Pending such agreements however, we are exploring the possibility of developing negotiating teams from specialty bakery driver locals to assist our miscellaneous general locals in their negotiations. As you can appreciate, this touches on sensitive grounds such as local union autonomy.

Another avenue we are exploring, pending successful completion of regional agreements, is to develop protective contract language as such in your interest as in ours. For example, many of our bakery driver locals (as in silk), are proposing that if delivery is made to an area where higher rates prevail, the driver is to receive the higher rate; that is, when serving or delivering outside their areas, they are to observe the bakery contract working conditions and wages in existence in such areas. This will prevent undercutting by out-of-state or out-of-area bakers, both union or non-union.

Finally, our dairy local unions are trying to convince their employers not to sell bakery products and thus preserve the distribution of baked goods for bakers and their employees.

I do not wish to leave you with the feeling that we are unalterably opposed to any adjustments to meet the competitive problems of the wholesale bakers. I have already indicated that a number of our locals have, for one reason or another, agreed to various modifications.

Without passing on the merits of any of the following suggestions or alternatives, I believe they should be explored:

- 1) A graded commission system related to different kinds of service or different classes of customers.
- 2) Higher guarantee and lower commission rate for private label or secondary bread, to prevent loss in pay for the driver.
- 3) Put driver-salesman's commission on unit basis rather than money (as in milk).
- 4) Guaranteed weekly salary.
- 5) Store delivery on low commission high-volume basis.

I am sure you have other suggestions.

Joint studies, made outside the contract negotiating period, may provide fruitful solutions.

I should like to suggest that bakery operators and our local unions meet periodically, for example, every two months, to discuss these problems. There should also be similar educational meetings on a national level with bakery deliver representatives, to study bakery problems and perhaps develop mutually acceptable plans for alleviating many of the problems we face. The crucial factor here is that both sides honestly face up to the problems, and sincerely seek acceptable solutions.

In some industries confronted with similar problems, such as longshore, joint labor-management committees were created specifically to explore the problems and to make recommendations.

It is in connection with such educational conferences that the Economics of Distribution Foundation, headed by Dave Kaplan, can be very helpful to both sides.

Our Teamster officers are increasingly aware of the changes that affect the distribution process in the bakery industry - The development of supermarkets; the disappearance of 100,000 small grocers; The development of co-ops and voluntary chains which have great bargaining power - and the fact that their members are no longer serving a homogeneous market.

As practical realists, they know that the chains and the coop buyer control the market. They know that chain brands are getting a bigger share of the market and that private labels are crowding out brand names. They know that the concentration to larger grocery units is continuing.

And as practical realists, I think they realize they have to give serious consideration to different types of distribution systems to fit these

meditations. I think they recognize that they may have to consider greater flexibility in methods of compensation.

Recognize that the Union has problems. The basic trade union principle of jurisdiction combined with local union autonomy often makes it difficult to work out solutions.

Local union membership may fail or refuse to recognize these problems and effectively hobble their leadership in accommodating to the new situation. They are also accustomed to a given earnings level and fear loss of take home if the delivery or compensation methods are changed. They may continue to take this attitude even though the loss of stops and routes because of competition cuts their weekly earnings.

As a trade union, we recognize that progress, productivity and efficiency are a prerequisite to the welfare of our members and the industries which employ them. At the same time, also as a trade union, we have to protect our members. We believe that there are ways of satisfying both objectives - management's desire for more efficient distribution and our members' desire for maintenance of earnings and job security.

Union members have come to expect protection from their union. The union as their organization and the union leadership, cannot fail them. Protection of jobs and wages is paramount. If they are to give up or modify established conditions and practices, they expect some assurances or safeguards; some recompense for loss of equity in their jobs.

We believe that bakery employers increasingly recognize that if distribution methods are changed, job right and earnings guarantees are essential.

Both you as industry leaders and we as trade union officers have to think hard and seriously about how this can be achieved. We have to develop a new type of industrial engineering - in which the human factor is not ignored.

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Together, we must analyze the problems facing our industry; analyze their meaning and significance and determine what has to be done to solve these problems. This is our job. Let us not shirk it.

QUALITY BAKERS OF AMERICA COOPERATIVE, INC.

SUNBEAM BAKERS

NATIONAL HEADQUARTERS



Miss Sunbeam

120 WEST 42ND STREET, NEW YORK 36, NEW YORK
CHICKERING 4-8484

OFFICE OF
THE GENERAL MANAGER

March 28, 1962

Mr. Harold J. Gibbons
Executive Assistant to the General President
International Brotherhood of Teamsters
25 Louisiana Ave. N. W.
Washington 1, D. C.

Dear Mr. Gibbons:

Sincerely and deeply I want to thank you for your kindness in accepting the invitation of the New York Bakers Club to address their meeting on Monday, April 16.

I was personally greatly impressed by the sentiments expressed by Mr. Hoffa the last time he addressed the Economics of Distribution Foundation and particularly his feeling that Management and Labor should strive for a closer understanding of each other's mutual problems.

Undoubtedly you plan to convey some of these sentiments to the Bakers Club audience and I think this will be tremendously helpful, particularly since we have a common and serious problem in the whole area of distribution and your thoughts in connection with it should be truly helpful.

I am certain you will have a very excellent and attentive audience. In the event that there are any suggestions, information, or data I can provide in advance of your talk, please do not hesitate to call on me as president of the Bakers Club.

Again, I want to thank you most sincerely.

Sincerely,

George N. Graf
Executive Director

GNG:jh

Belmont Hotel
Plaza Hotel
noon
May 10 2:30 in
Dist. and.

ADMINISTRATIVE FILE

Bakers Club Incorporated
X Re: Edmund A.
X Invitation

February 28, 1962

Mr. Edmund A. Boisa, Secretary
Bakers Club Incorporated
Belmont Plaza Hotel
49th Street and Lexington Avenue
New York 22, N. Y.

Dear Mr. Boisa:

Thank you for your letter of February 27, 1962 concerning
my invitation to speak before the Bakers Club Incorporated.

As requested, enclosed I am forwarding a recent picture
and biographical material.

Very truly yours,

H. J. Gibbons
Executive Assistant to the
General President

HJG/yb
Enc.

Bakers Club

INCORPORATED
BELMONT PLAZA HOTEL
48TH STREET AND LEXINGTON AVENUE
NEW YORK 22, N. Y.

TELEPHONE:
PLAZA 3-5975

February 27, 1962

Mr. Harold C. Gibbons, Executive Vice-President
International Brotherhood of Teamsters
Washington, D. C.

My dear Mr. Gibbons:

We were delighted to hear from Mr. David Kaplan's Secretary today that you have graciously accepted an invitation to speak before the Bakers Club Incorporated, at our Luncheon-Meeting, to be held on Monday, April 16, 1962, at 12:30 Noon, in the Moderne Room, Hotel Belmont Plaza, New York City.

If you will be good enough to send us a recent picture and biographical material, we can then prepare our notices to our members in sufficient time before the meeting.

As we come closer to the meeting date, we will check with you again to see if there are any other details that we can work out with you.

Again thanking you for your kindness and looking forward to meeting you, I am,

Sincerely yours,

BAKERS CLUB INCORPORATED

Edmund A. Buzza
Secretary

eab/m